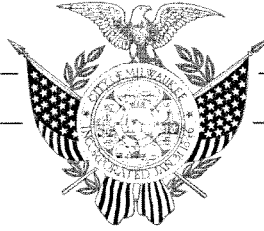


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Common Council President



10<sup>th</sup> District Alderman

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**Michael J. Murphy**  
*City of Milwaukee Common Council*

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May 29, 2015

Russell Staerkel  
Interim President & CEO  
Wisconsin Center District  
400 W. Wisconsin Avenue  
Milwaukee, WI 53203

Dear Mr. Staerkel,

As you know, the state legislature is proposing a complex financing plan to fund a new arena in downtown Milwaukee for the Milwaukee Bucks. The latest proposal that includes \$250 million of public investment requires the Wisconsin Center District (WCD) to issue \$93 million in zero-coupon bonds.

I understand the WCD uses current hotel, rental car and restaurant taxes collected to repay \$185 million in outstanding debt incurred to build the Convention Center (plus outstanding debt for the renovation of the Milwaukee Theatre and refinancing charges), and that this debt is expected to be repaid by 2027.

Considering current obligations and limitations on the district's taxing authority, as a board member, I respectfully request that a detailed fiscal impact analysis be completed on the state legislature's proposal that the WCD assume an additional \$93 million in debt.

Respectfully,

Michael J. Murphy  
Common Council President



## Wisconsin Center District

### Bonds and Taxes - 2015

The Wisconsin Center District currently has 3 sets of bonds outstanding, totaling \$178.5 million. 2 sets of bonds apply to the convention center construction (Junior and Senior Bonds), and the final set relates to the Theatre renovation (Theatre Bonds).

The Junior Bonds are the largest set, currently \$121 million. The Junior Bonds are scheduled to be paid off in 2027. The Senior Bonds total \$30.5 million, and they are scheduled to be paid off in 2032. The Theatre Bonds total \$26.9 million, and they are scheduled to be paid off in 2032. All told, the WCD has \$178.5 million in bonds at this time.

The District has been given the authority to receive tax dollars from various sources in the County and City of Milwaukee in order to pay the annual debt service on those bonds. These taxes include a car rental tax in Milwaukee County of 3.0%, a prepared food and beverage tax in Milwaukee County of 0.5%, and a hotel tax in Milwaukee County of 2.5%. The authority to receive those taxes came along with a requirement that those collections CAN ONLY BE USED FOR PAYING DEBT SERVICE. There is an additional hotel tax that the WCD receives (7.0% in the City of Milwaukee), which is not restricted to debt service. That tax is the basis for funding Visit Milwaukee, and for funding capital expenditures for the WCD.

Of the taxes mentioned, none can currently be raised with the exception of the Milwaukee County hotel tax, which can be increased by a Board of Directors vote to 3.0%. That would increase collections currently about \$1.2 million per year.

The current level of debt service means there is no opportunity to sell bonds that would receive significant payments until after the Junior Bonds are retired in 2027. Raising the County hotel tax would generate \$1.2 million annually, but that amount is insufficient for support a significant bond issuance.

When the Junior Bonds are retired, the WCD's debt service comes down significantly (from \$24.2 million in 2027 to \$11.3 million in 2028). This provides some opportunity to be able to make payments towards an additional set of bonds. It has long been hoped that this opportunity would become part of the plan for funding expansion of the convention center, a project desperately needed for the future of the WCD and Milwaukee in general. Invoking a new building project would delay the expansion, unless the WCD taxing authority is augmented in some way.

All of the WCD bonds sold in the past have included amounts raised beyond the targeted construction amount to cover all of the costs of preparing and selling the bond issuance, as well as the establishment of a reserve fund (or funds) to provide levels of comfort for potential bondholders. The requirement that \$93 million be raised to partially fund a new building means that the target amount generated will need to be \$100-\$105 million to cover these associated requirements.

The WCD has run various calculations on the impact of new bonds. The historical rate of growth in the WCD taxes has been at a rate of 4.25% over the last 10 years. The WCD uses a more conservative 3.75% rate when projecting tax collections into the future in order to ensure proper consideration of the future.

All calculations include implementing the additional 0.5% tax on Milwaukee County hotels rooms, and the forecasted revenue associated with that rate increase.

The attached pages include a forecasted tax revenue projection vs. current annual debt service, a projection of a bond issuance at a 4% rate, and a 5% rate. These documents have been prepared without extensive review of the current bond market, however we believe that this provides a reasonable common sense starting point.

The numbers show the generation of approximately \$105 million in capital appreciation bond proceeds to cover the amount desired for the arena project, as well as additional money for reserves and costs. Each bond projection table uses the amount available generated by the WCD taxes on an annual basis, as previously mentioned utilizing the significant funding available after the Junior Bonds are retired in 2027.

Utilizing the 0.5% increase in the County hotel tax and all other current tax categories, Capital Appreciation Bonds discounted at 4% would be covered by the projected WCD taxes by the year 2033 (total payments \$181 million). A discount rate of 5% would lengthen the coverage to the year 2034 (total payments \$217 million). These projections fully utilize the tax collections in those years to cover the debt service involved. Any future intentions of debt coverage would be unable to start in any fashion until after full retirement of this bond issuance.

**Tax Collections – Projection into the future with 3.75% Growth**

		Current Debt Service	Restricted Taxes/Interest
2014	ACTUAL	18,128,026	18,777,834
12/15/2015		18,846,888	19,444,502
12/15/2016		19,580,901	20,136,171
12/15/2017		20,361,688	20,853,778
12/15/2018		21,159,376	21,598,294
12/15/2019		22,005,176	22,120,730
12/15/2020		22,893,713	22,922,133
12/15/2021		23,809,688	23,753,588
12/15/2022		24,242,876	24,616,222
12/15/2023		24,235,201	25,511,205
12/15/2024		24,238,975	26,439,751
12/15/2025		24,232,675	27,403,116
12/15/2026		24,237,825	28,402,608
12/15/2027		24,235,875	29,439,581
12/15/2028		11,350,250	30,515,440
12/15/2029		11,351,750	31,631,644
12/15/2030		11,350,500	32,789,706
12/15/2031		11,350,750	33,991,195
12/15/2032		11,352,500	35,237,740
12/15/2033			36,531,030
12/15/2034			37,872,819
12/15/2035			39,264,924
12/15/2036			40,709,234
12/15/2037			42,207,705
12/15/2038			43,762,369
12/15/2039			45,375,333
12/15/2040			47,048,783

**4% rate Bond Issuance**

(Dec 15)					
Interest Rate	Year of Maturity	Accreted Value at Maturity	Total of Original Prin + Interest	Price per \$5,000	Original Principal
<b>Series 2015 Estimations</b>					
4.00%	2016	1,200,000	1,200,000.05	4,901.96	1,176,470.64
4.00%	2017	1,200,000	1,200,000.08	4,711.61	1,130,786.88
4.00%	2018	1,200,000	1,200,000.25	4,528.66	1,086,877.20
4.00%	2019	1,200,000	1,199,999.75	4,352.80	1,044,672.00
4.00%	2020	1,200,000	1,200,000.19	4,183.78	1,004,106.48
4.00%	2021	1,200,000	1,199,999.94	4,021.32	965,115.60
4.00%	2022	1,200,000	1,200,000.12	3,865.16	927,639.12
4.00%	2023	2,500,000	2,500,000.24	3,715.07	1,857,537.00
4.00%	2024	3,500,000	3,500,000.58	3,570.81	2,499,569.38
4.00%	2025	4,500,000	4,500,000.26	3,432.15	3,088,938.60
4.00%	2026	5,500,000	5,499,999.86	3,298.88	3,628,766.90
4.00%	2027	6,500,000	6,499,999.82	3,170.78	4,122,013.35
4.00%	2028	20,500,000	20,500,000.99	3,047.65	12,495,383.45
4.00%	2029	21,500,000	21,500,000.59	2,929.31	12,596,034.29
4.00%	2030	23,000,000	23,000,000.54	2,815.56	12,951,583.36
4.00%	2031	24,000,000	24,000,000.46	2,706.23	12,989,903.52
4.00%	2032	25,000,000	25,000,000.53	2,601.14	13,005,718.50
4.00%	2033	36,000,000	36,000,000.48	2,500.14	18,000,994.32

**180,900,000**  
**Total Principal and Interest Payments**

**104,572,110.59**  
**Total Bond Sale Proceeds**

**5% rate Bond Issuance**

(Dec 15)					
Interest Rate	Year of Maturity	Accreted Value at Maturity	Total of Original Prin + Interest	Price per \$5,000	Original Principal
<b>Series 2015 Estimations</b>					
5.00%	2016	1,200,000	1,200,000.30	4,878.05	1,170,732.00
5.00%	2017	1,200,000	1,200,000.76	4,643.00	1,114,320.00
5.00%	2018	1,200,000	1,200,000.70	4,419.27	1,060,625.76
5.00%	2019	1,200,000	1,199,999.95	4,206.33	1,009,518.24
5.00%	2020	1,200,000	1,200,000.06	4,003.64	960,874.08
5.00%	2021	1,200,000	1,200,000.34	3,810.73	914,574.00
5.00%	2022	1,200,000	1,200,000.04	3,627.10	870,504.48
5.00%	2023	2,500,000	2,500,000.16	3,452.33	1,726,164.00
5.00%	2024	3,500,000	3,500,000.23	3,285.98	2,300,182.85
5.00%	2025	4,500,000	4,500,000.60	3,127.64	2,814,875.10
5.00%	2026	5,500,000	5,500,000.32	2,976.93	3,274,624.76
5.00%	2027	6,500,000	6,500,000.71	2,833.49	3,683,532.45
5.00%	2028	20,500,000	20,500,000.40	2,696.95	11,057,507.30
5.00%	2029	21,500,000	21,500,000.08	2,567.00	11,038,094.20
5.00%	2030	23,000,000	23,000,000.36	2,443.31	11,239,208.98
5.00%	2031	24,000,000	24,000,000.27	2,325.57	11,162,755.68
5.00%	2032	25,000,000	25,000,000.19	2,213.51	11,067,574.50
5.00%	2033	36,000,000	36,000,000.14	2,106.86	15,169,358.45
5.00%	2034	37,000,000	37,000,000.27	2,005.34	14,839,480.85

**216,700,000**  
**Total Principal and Interest Payments**

**105,303,775.67**  
**Total Bond Sale Proceeds**